

REFERENCE TITLE: income tax credit; diabetes expenses.

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

HB 2157

Introduced by
Representatives Miranda: Rios P, Tom

AN ACT

AMENDING SECTIONS 43-222, 43-1021 AND 43-1042, ARIZONA REVISED STATUTES;
AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING
SECTION 43-1086; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-222, Arizona Revised Statutes, is amended to
3 read:

4 43-222. Income tax credit review schedule

5 Each year the joint legislative income tax credit review committee
6 shall review the following income tax credits:

7 1. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02,
8 43-1090, 43-1176 and 43-1181.

9 2. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165,
10 43-1166, 43-1167 and 43-1169.

11 3. In 2008, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and
12 43-1178.

13 4. In 2009, sections 43-1076, 43-1081.01, 43-1084, 43-1162 and
14 43-1170.01.

15 5. In 2010, sections 43-1075, 43-1079.01, 43-1087, 43-1088,
16 43-1090.01, 43-1163, 43-1167.01, 43-1175 and 43-1182.

17 6. In 2011, sections 43-1074.02, 43-1083, 43-1085, ~~and~~ 43-1164 and
18 43-1183.

19 7. IN 2012, SECTION 43-1086.

20 Sec. 2. Section 43-1021, Arizona Revised Statutes, is amended to read:

21 43-1021. Additions to Arizona gross income

22 In computing Arizona adjusted gross income, the following amounts shall
23 be added to Arizona gross income:

24 1. A beneficiary's share of the fiduciary adjustment to the extent
25 that the amount determined by section 43-1333 increases the beneficiary's
26 Arizona gross income.

27 2. An amount equal to the "ordinary income portion" of a lump sum
28 distribution that was excluded from federal adjusted gross income pursuant to
29 section 402(d) of the internal revenue code.

30 3. The amount of interest income received on obligations of any state,
31 territory or possession of the United States, or any political subdivision
32 thereof, located outside the state of Arizona, reduced, for tax years
33 beginning from and after December 31, 1996, by the amount of any interest on
34 indebtedness and other related expenses that were incurred or continued to
35 purchase or carry those obligations and that are not otherwise deducted or
36 subtracted in arriving at Arizona gross income.

37 4. Annuity income received during the taxable year to the extent that
38 the sum of the proceeds received from such annuity in all taxable years prior
39 to and including the current taxable year exceeds the total consideration and
40 premiums paid by the taxpayer. This paragraph applies only to those
41 annuities with respect to which the first payment was received prior to
42 December 31, 1978.

1 5. The excess of a partner's share of partnership taxable income
2 required to be included under chapter 14, article 2 of this title over the
3 income required to be reported under section 702(a)(8) of the internal
4 revenue code.

5 6. The excess of a partner's share of partnership losses determined
6 pursuant to section 702(a)(8) of the internal revenue code over the losses
7 allowable under chapter 14, article 2 of this title.

8 7. The amount by which the adjusted basis of property described in
9 this paragraph and computed pursuant to the internal revenue code exceeds the
10 adjusted basis of such property computed pursuant to this title and the
11 income tax act of 1954, as amended. This paragraph shall apply to all
12 property which is held for the production of income and which is sold or
13 otherwise disposed of during the taxable year, except depreciable property
14 used in a trade or business.

15 8. The amount of depreciation or amortization of costs of any capital
16 investment that is deducted pursuant to section 167 or 179 of the internal
17 revenue code by a qualified defense contractor with respect to which an
18 election is made to amortize pursuant to section 43-1024.

19 9. The amount of gain from the sale or other disposition of a capital
20 investment which a qualified defense contractor has elected to amortize
21 pursuant to section 43-1024.

22 10. Amounts withdrawn from the Arizona state retirement system, the
23 corrections officer retirement plan, the public safety personnel retirement
24 system, the elected officials' retirement plan or a county or city retirement
25 plan by an employee upon termination of employment before retirement to the
26 extent they were deducted in arriving at Arizona taxable income in any year.

27 11. That portion of the net operating loss included in federal adjusted
28 gross income which has already been taken as a net operating loss for Arizona
29 purposes or which is separately taken as a subtraction under the special net
30 operating loss transition rule.

31 12. Any nonitemized amount deducted pursuant to section 170 of the
32 internal revenue code representing contributions to an educational
33 institution which denies admission, enrollment or board and room
34 accommodations on the basis of race, color or ethnic background except those
35 institutions primarily established for the education of American Indians.

36 13. The amount paid as taxes on property in this state with respect to
37 which a credit is claimed under section 43-1078.

38 14. Amounts withdrawn from a medical savings account by the individual
39 during the taxable year computed pursuant to section 220(f) of the internal
40 revenue code and not included in federal adjusted gross income.

41 15. Any amount of agricultural water conservation expenses that were
42 deducted pursuant to the internal revenue code for which a credit is claimed
43 under section 43-1084.

1 16. The amount by which the depreciation or amortization computed under
2 the internal revenue code with respect to property for which a credit was
3 taken under section 43-1080 exceeds the amount of depreciation or
4 amortization computed pursuant to the internal revenue code on the Arizona
5 adjusted basis of the property.

6 17. The amount by which the adjusted basis computed under the internal
7 revenue code with respect to property for which a credit was claimed under
8 section 43-1080 and which is sold or otherwise disposed of during the taxable
9 year exceeds the adjusted basis of the property computed under section
10 43-1080.

11 18. The amount by which the depreciation or amortization computed under
12 the internal revenue code with respect to property for which a credit was
13 taken under either section 43-1081 or 43-1081.01 exceeds the amount of
14 depreciation or amortization computed pursuant to the internal revenue code
15 on the Arizona adjusted basis of the property.

16 19. The amount by which the adjusted basis computed under the internal
17 revenue code with respect to property for which a credit was claimed under
18 section 43-1074.02, 43-1081 or 43-1081.01 and which is sold or otherwise
19 disposed of during the taxable year exceeds the adjusted basis of the
20 property computed under section 43-1074.02, 43-1081 or 43-1081.01, as
21 applicable.

22 20. The deduction referred to in section 1341(a)(4) of the internal
23 revenue code for restoration of a substantial amount held under a claim of
24 right.

25 21. The amount by which a net operating loss carryover or capital loss
26 carryover allowable pursuant to section 1341(b)(5) of the internal revenue
27 code exceeds the net operating loss carryover or capital loss carryover
28 allowable pursuant to section 43-1029, subsection F.

29 22. Any amount deducted pursuant to section 170 of the internal revenue
30 code representing contributions to a school tuition organization or a public
31 school for which a credit is claimed under section 43-1089 or 43-1089.01.

32 23. Any amount deducted in computing Arizona gross income as expenses
33 for installing solar stub outs or electric vehicle recharge outlets in this
34 state with respect to which a credit is claimed pursuant to section 43-1090.

35 24. Any wage expenses deducted pursuant to the internal revenue code
36 for which a credit is claimed under section 43-1087 and representing net
37 increases in qualified employment positions for employment of temporary
38 assistance for needy families recipients.

39 25. Any amount deducted for conveying ownership or development rights
40 of property to an agricultural preservation district under section 48-5702
41 for which a credit is claimed under section 43-1081.02.

42 26. The amount of any depreciation allowance allowed pursuant to
43 section 167(a) of the internal revenue code to the extent not previously
44 added.

27. With respect to property for which an expense deduction was taken pursuant to section 179 of the internal revenue code, the amount in excess of twenty-five thousand dollars.

28. The amount of any deductions that are claimed in computing federal adjusted gross income representing expenses for which a credit is claimed under section 43-1075.

29. The amount by which the depreciation or amortization computed under the internal revenue code with respect to property for which a credit was taken under section 43-1090.01 exceeds the amount of depreciation or amortization computed pursuant to the internal revenue code on the Arizona adjusted basis of the property.

30. The amount by which the adjusted basis computed under the internal revenue code with respect to property for which a credit was claimed under section 43-1090.01 and which is sold or otherwise disposed of during the taxable year exceeds the adjusted basis of the property computed under section 43-1090.01.

31. THE AMOUNT OF ANY DEDUCTIONS THAT ARE CLAIMED IN COMPUTING FEDERAL ADJUSTED GROSS INCOME REPRESENTING EXPENSES FOR WHICH A CREDIT IS CLAIMED UNDER SECTION 43-1086.

Sec. 3. Section 43-1042, Arizona Revised Statutes, is amended to read:

43-1042. Itemized deductions

A. Except as provided by subsections B, D and E of this section, at the election of the taxpayer, and in lieu of the standard deduction allowed by section 43-1041, in computing taxable income the taxpayer may take the amount of itemized deductions allowable for the taxable year pursuant to subtitle A, chapter 1, subchapter B, parts VI and VII, but subject to the limitations prescribed by sections 67, 68 and 274, of the internal revenue code.

B. In lieu of the amount of the federal itemized deduction for expenses paid for medical care allowed under section 213 of the internal revenue code, the taxpayer may deduct the full amount of such expenses.

C. Notwithstanding subsection B of this section, THE FOLLOWING expenses SHALL NOT BE DEDUCTED PURSUANT TO THIS SECTION:

1. EXPENSES for medical care that are paid or reimbursed from the taxpayer's medical savings account pursuant to section 43-1028 ~~shall not be deducted pursuant to this section.~~

2. DIABETES EXPENSES FOR WHICH A CREDIT IS CLAIMED UNDER SECTION 43-1086.

D. A qualified defense contractor that is identified and certified by the department of commerce pursuant to section 41-1508 shall not claim both a deduction as provided by this section and a credit under section 43-1078 with respect to the same property taxes paid.

E. A taxpayer shall not claim both a deduction provided by this section and a credit allowed by this title with respect to the same charitable contributions.

1 F. The taxpayer may add any interest expense paid by the taxpayer for
2 the taxable year that is equal to the amount of federal credit for interest
3 on certain home mortgages allowed by section 25 of the internal revenue code.

4 Sec. 4. Title 43, chapter 10, article 5, Arizona Revised Statutes, is
5 amended by adding section 43-1086, to read:

6 43-1086. Credit for diabetes expenses: definition

7 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2007, A
8 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR A TAXPAYER WHO
9 INCURS QUALIFIED DIABETES EXPENSES, BUT NOT TO EXCEED FIVE HUNDRED DOLLARS.

10 B. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE TAXES OTHERWISE DUE UNDER
11 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS
12 TITLE, THE TAXPAYER MAY CARRY THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE
13 TAXES UNDER THIS TITLE FORWARD FOR NOT MORE THAN FIVE CONSECUTIVE TAXABLE
14 YEARS' INCOME TAX LIABILITY.

15 C. THE CREDIT ALLOWED BY THIS SECTION IS IN LIEU OF A DEDUCTION
16 PURSUANT TO SECTION 213 OF THE INTERNAL REVENUE CODE AND TAKEN FOR STATE
17 INCOME TAX PURPOSES.

18 D. TO RECEIVE A TAX CREDIT UNDER THIS SECTION, A TAXPAYER MUST APPLY
19 TO THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, ON OR BEFORE
20 JANUARY 15 FOLLOWING THE CALENDAR YEAR IN WHICH THE EXPENSES WERE INCURRED.
21 ON OR BEFORE FEBRUARY 15 OF THAT SAME YEAR, THE DEPARTMENT SHALL REVIEW AND
22 DETERMINE THE AMOUNT OF THE CREDIT FOR EACH TAXPAYER AND ISSUE A CERTIFICATE
23 TO EACH QUALIFYING TAXPAYER STATING THE AMOUNT OF THE CREDIT. THE TAXPAYER
24 SHALL CLAIM THE CREDIT ON THE NEXT TAX RETURN FILED AFTER RECEIVING THE
25 CERTIFICATE FROM THE DEPARTMENT. THE DEPARTMENT SHALL NOT CERTIFY TAX
26 CREDITS UNDER THIS SECTION IN ANY CALENDAR YEAR EXCEEDING ONE MILLION
27 DOLLARS. IF QUALIFYING APPLICATIONS EXCEED ONE MILLION DOLLARS, THE
28 DEPARTMENT SHALL PROPORTIONATELY REDUCE THE AMOUNT OF THE CREDIT ALLOWED EACH
29 TAXPAYER.

30 E. FOR THE PURPOSES OF THIS SECTION, "QUALIFIED DIABETES EXPENSES"
31 MEANS THE FOLLOWING DIABETES EXPENSES THAT ARE PRESCRIBED BY A HEALTH CARE
32 PROVIDER AND THAT ARE NOT COVERED UNDER THE TAXPAYER'S HEALTH INSURANCE
33 POLICY:

- 34 1. BLOOD GLUCOSE MONITORS.
- 35 2. BLOOD GLUCOSE MONITORS FOR THE LEGALLY BLIND.
- 36 3. TEST STRIPS FOR GLUCOSE MONITORS AND VISUAL READING AND URINE
37 TESTING STRIPS.
- 38 4. INSULIN PREPARATIONS AND GLUCAGON.
- 39 5. INSULIN CARTRIDGES.
- 40 6. DRAWING UP DEVICES AND MONITORS FOR THE VISUALLY IMPAIRED.
- 41 7. INJECTION AIDS.
- 42 8. INSULIN CARTRIDGES FOR THE LEGALLY BLIND.
- 43 9. SYRINGES AND LANCETS INCLUDING AUTOMATIC LANCING DEVICES.
- 44 10. PRESCRIBED ORAL AGENTS FOR CONTROLLING BLOOD SUGAR.

1 11. PODIATRIC APPLIANCES FOR PREVENTION OF COMPLICATIONS ASSOCIATED
2 WITH DIABETES.

3 Sec. 5. Purpose

4 Pursuant to section 43-223, Arizona Revised Statutes, the legislature
5 enacts section 43-1086, Arizona Revised Statutes, as added by this act, to
6 provide income tax relief for taxpayer's who incur diabetes expenses.